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Former Bush Aide Fights Nickname: Gov. Privatize

By MONICA DAVEY

INDIANAPOLIS — At this rate, critics of Gov. Mitch Daniels grouse, all of Indiana will be run by private corporations.

What will be next, anti-Daniels bloggers demand. Will the governor hand over the keys to Indiana University and Purdue to some private consortium? Will he lease to a company the thousands of public toilets that dot the state?

In his two and a half years in office, Mr. Daniels, who previously served in the Bush White House as budget director, has already placed in the hands of private companies plenty of public business: some welfare-applicant screening, running a prison and, most notably, operating the 157-mile Indiana Toll Road, which slices across the northern edge of the state.

And, backed by fellow Republicans who until last fall controlled both houses of the legislature, he has tried not to let it end there. Mr. Daniels has also called for new privately operated roads and for the leasing of the state's lottery. All this, he says, is in the interest of efficient delivery of state services.

"We're just trying to solve our problems," he said on a recent afternoon, seated at his desk, which could have been a tiny boat floating in the gaping sea of his enormous Statehouse office. "We don't want to be anybody's poster child for anything."

Yet that is precisely how his critics now view him — as Governor Privatize.

"We knew this would be part of his grand scheme," said David Warrick, a union leader who represents 25,000 public workers in Indiana and Kentucky. "He's bent on privatizing everything he can get his hands on."

Mr. Daniels, who in 2004 defeated a Democratic incumbent, Joseph E. Kernan, to become the first Republican governor of Indiana since 1989, is widely expected to announce that he will run next year for a second term. [His office has scheduled an "important announcement" here

on Saturday morning.]

Already at least three Democrats are lining up to oppose him, proclaiming his privatizing ways a point of vulnerability. When a riot broke out this spring at the recently privatized prison, critics were quick to portray it as an outcome of the governor's program run amok.

To be sure, the Democrats have already seen signs of Republican weakness. Three of seven Indiana Republicans lost their Congressional seats last fall, a reflection, perhaps, of the sharp decline in the popularity of President Bush (which spells a lot of trouble, the Democrats hope, for his former budget director.)

Democrats also wrested away control of the Indiana House last fall — though narrowly, 51 to 49 — and as a result were recently able to get Mr. Daniels to withdraw his plans for leasing the lottery. The governor says that private companies are willing to offer the state \$2 billion, plus annual payments of \$200 million, for the lottery and that he will revive the idea, partly as a way to finance more higher-education programs.

As with the other deals, proposed or done, Indiana is by no means alone in thinking about its lottery this way. But B. Patrick Bauer, the Democratic speaker of the House, says it is time to put the brakes on so much dealing. "Why don't we just do some of this ourselves?" Mr. Bauer said. "This is a greedy generation of governors. They're selling everything off and not thinking about the future. This all comes back to greed. Did I mention Enron to you?"

Mr. Daniels's supporters say the deals are too good to pass up.

"Hoosiers really don't like change," said one Republican legislator, Jerry Torr. "When your mother gave you cough medicine when you were 5, you didn't like the taste of it, but you knew deep down that it was good for you. The people of Indiana are going to come to the realization that that's what Governor Daniels is doing here."

Mr. Daniels stirred the biggest controversy last year when he leased the Indiana Toll Road, where tolls had not increased in more than two decades, to Macquarie-Cintra, an Australian-Spanish consortium, for 75 years. The state got \$3.8 billion in return, which will pay, the governor said, for scores of highway projects.

Critics were outraged. How expensive might driving the road become? Who could predict the changes to come over 75 years?

The growing trend of leasing such roads to private entities has also landed Mr. Daniels in the

middle of a debate in Washington. In May, Democratic leaders of a House committee sent a letter to governors and state legislators around the country, warning them against rushing into public-private partnerships involving national highways. Many such deals, the letter said, may not constitute a good public investment.

Mr. Daniels says he views privatization not as an ideological or partisan matter but as a strictly practical one. He has looked at every case individually, he said, and sought the most efficient solution for state services. From his printer, he pulled out a sheet of paper bearing a one-sentence quotation attributed to a Democrat, former Gov. Mario M. Cuomo of New York: "It is not government's obligation to provide services, but to see they're provided."

"Government is the last monopoly," Mr. Daniels said. "So competition is the key. That's why I'm indifferent — public or private, as long as the benefits of competition are brought to bear."

Mr. Daniels said he had not heard much talk making him the butt of jokes about his choices. Plenty of voters thank him, he said.

His prospective opponents for governor see it differently. The race, they say, may well become a referendum on privatization. "He has created incredible unrest in our state," said one announced Democratic candidate, Jim Schellinger, an Indianapolis architect. "It should be about governing, not selling things."

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